



Diversified Royalty Corp. Announces \$50 Million Bought Deal Offering Of 5.25% Convertible Unsecured Subordinated Debentures

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Vancouver, B.C., October 17, 2017, For Immediate Release – Diversified Royalty Corp. (TSX: DIV) (the “Corporation” or “DIV”) is pleased to announce that it has entered into an agreement with a syndicate of underwriters led by CIBC Capital Markets (the “Underwriters”) pursuant to which the Underwriters have agreed to purchase \$50,000,000 aggregate principal amount of 5.25% convertible unsecured subordinated debentures (the “Debentures”) at a price of \$1,000 per Debenture (the “Offering”).

In addition, the Corporation has granted the Underwriters an option (“Over-Allotment Option”) to purchase up to an additional \$7,500,000 aggregate principal amount of Debentures at the offering price exercisable at any time up to 30 days following closing.

The Debentures will mature December 31, 2022 and will bear interest at an annual rate of 5.25% payable semi-annually in arrears on the last day of December and June in each year, commencing June 30, 2018. At the holder’s option, the Debentures may be converted into common shares of the Corporation (“Common Shares”) at any time prior to the close of business on the earlier of the last business day immediately preceding December 31, 2022 and the date fixed for redemption. The conversion price will be \$4.55 per Common Share (the “Conversion Price”), subject to adjustment in certain circumstances.

The Debentures will not be redeemable on or before December 31, 2020. After December 31, 2020 and prior to December 31, 2021, the Debentures may be redeemed in whole or in part from time to time at DIV’s option, provided that the volume weighted average trading price of the Common Shares on the Toronto Stock Exchange (the “TSX”) during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of the redemption is given is not less than 125% of the Conversion Price. On or after December 31, 2021 and prior to the maturity date, DIV may, at its option, redeem the Debentures, in whole or in part, from time to time at par plus accrued and unpaid interest.

DIV intends to use the net proceeds from the Offering for general corporate purposes including to fund potential future acquisitions and working capital.

“Access to capital and financial flexibility are critical to DIV’s ability to grow and diversify its top-line royalty portfolio. These \$50 million unsecured subordinated debentures will provide DIV with the capital and flexibility it needs to execute its business plan”, said Sean Morrison, President and CEO of DIV.

Closing of the Offering is expected to occur on or about November 7, 2017 and is subject to regulatory

approval including that of the TSX.

The Debentures to be issued under the Offering will be offered by way of a short form prospectus in each of the provinces of Canada, except Québec, and may be offered in the United States on a private placement basis pursuant to an exemption from the registration requirements of the *United States Securities Act of 1933*, as amended (the “**U.S. Securities Act**”), and certain other jurisdictions.

This news release does not constitute an offer of securities for sale in the United States. The securities being offered have not been, nor will they be, registered under the U.S. Securities Act, and such securities may not be offered or sold within the United States absent U.S. registration or an applicable exemption from U.S. registration requirements.

About Diversified Royalty Corp.

DIV is a multi-royalty corporation, engaged in the business of acquiring top-line royalties from well-managed businesses and franchisors in North America. DIV’s objective is to acquire predictable, growing royalty streams from a diverse group of multi-location businesses and franchisors.

DIV currently owns the Sutton, Mr. Lube and AIR MILES® trademarks in Canada. Sutton is among the leading residential real estate brokerage franchisor businesses in Canada with approximately 8,000 agents and over 200 offices across Canada. Mr. Lube is the leading quick lube service business in Canada with 170 locations across Canada and over \$200 million of annual system sales. AIR MILES® is Canada’s largest coalition loyalty program with over 200 leading brand-name sponsors; approximately two-thirds of Canadian households actively participate in the AIR MILES® Program.

DIV expects to increase cash flow per share by making accretive royalty purchases and through the growth of purchased royalties. DIV expects to pay a predictable and stable dividend to shareholders and increase the dividend as cash flow per share increases allow.

Forward Looking Statements

Certain statements contained in this news release may constitute forward-looking statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The use of any of the words “anticipate”, “continue”, “estimate”, “expect”, “intend”, “may”, “will”, “project”, “should”, “believe”, “confident”, “plan” and “intends” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Specifically, forward-looking statements in this news release include, but are not limited to, statements made in relation to: the closing of the Offering and the exercise of the over-allotment option; the intended use of proceeds of the Offering; the expected terms of the Debentures; the expected closing date for the Offering; the approval of the TSX; DIV’s expectation of increasing cash flow per share by making accretive royalty purchases and through the growth of purchased royalties; and DIV’s intention to pay dividends to shareholders and increase the dividend as cash flow per share increases allow. More information about the risks and uncertainties affecting DIV’s business and the businesses of its royalty partners can be found in the “Risk Factors” section of its Annual Information Form dated March 28, 2017, which is available under the DIV’s profile on SEDAR at www.sedar.com.

In formulating the forward-looking statements contained herein, management has assumed that business and economic conditions affecting DIV and its royalty partners will continue substantially in the ordinary course, including without limitation with respect to general industry conditions, general levels of economic activity and regulations, and that DIV will be able to obtain all necessary approvals for the Offering. These assumptions, although considered reasonable by management at the time of preparation, may prove to be incorrect.

All of the forward-looking statements made in this news release are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, DIV. The forward-looking statements are made as of the date of this news release and DIV assumes no obligation to publicly update or revise such information to reflect new events or circumstances, except as may be required by applicable law.

THE TORONTO STOCK EXCHANGE HAS NOT REVIEWED AND DOES NOT ACCEPT RESPONSIBILITY FOR THE ADEQUACY OR THE ACCURACY OF THIS RELEASE.

Additional Information

Additional information relating to the Corporation and other public filings, is available on SEDAR at www.sedar.com.

Contact:

Sean Morrison, President and Chief Executive Officer
Diversified Royalty Corp.
(604) 235-3146

Greg Gutmanis, Chief Financial Officer and VP Acquisitions
Diversified Royalty Corp.
(604) 235-3146